

Message Text

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SUBJECT: PRESIDENT PEREZ SUPPORTS FOREIGN TECHNOLOGY
TO DEVELOP HEAVY OIL

REF: CARACAS 2103

1. IN AN INTERVIEW PUBLISHED MAY 31 IN CARACAS' ENGLISH LANGUAGE DAIL JOURNAL, DEVOTED LARGELY TO THE HISTORY OF VENEZUELA'S 1975 OIL NATIONALIZATION, PRESIDENT PEREX ALSO MADE SIGNIFICANT COMMENTS ON FUTURE DEVELOPMENTS, INCLUDING THE USE OF FOREIGN TECHNOLOGY TO DEVELOP THE RINOCO HEAVY OIL BELT, NORTH-SOUTH RELATIONS, AND THE LOCAL PRICE OF GASOLINE.

2. REVIEWING THE OIL NATIONALIZATION DECISION, PEREZ SAID THIS WAS THE RIGHT DECISION AT THE RIGHTTIME AND SHOULD NOT HAVE COME AS A SURPRISE TO ANYONE SINCE IT WAS FULLY IN ACCORD WITH HIS CONVICTION AND THAT OF THE AD PARTY THAT THE BASIC INDUSTRIES SHOULD BE IN STATE HANDS. HE SAID THE GOVERNMENT COULD NOT HAVE WAITED UNTIL THE MAJOR CONCESSIONS EXPIRED IN 1983 BECAUSE THE PRIVATE COMPANIES WERE ALREADY REDUCING THEIR INVESTMENTS IN
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ANTICIPATION OF THIS DATE. HE ALSO EMPHASIZED THAT VENEZUELA HAS ALWAYS TAKEN A REALISTIC ATTITUDE WITH REGARDS TO OIL AND THAT NATIONALIZATION WAS CARRIED OUT IN A LEGAL MANNER AND WITHOUT CONFRONTATION.

3. WITH REGARD TO THE DEVELOPMENT OF THEORINOCO HEAVY OIL BELT, PEREZ SAID THE COUNTRY HAS AN OBLIGATION TO

EVALUATE THE BELT AND DETERMINE QUICKLY HOW MUCH OF ITS OIL CAN BE PRODUCED COMMERCIALY. HE WILL PUSH THIS PROGRAM AHEAD. EXPLORING AND PRODUCING FROM THE BELT WOULD NOT JEOPARDIZE VENEZUELA'S SOVEREIGNTY OR ITS NATURAL RESOURCES. IT WAS ALSO A MYTH, HE SAID, THAT THE USE OF FOREIGN TECHNOLOGY WOULD PUT THE BELT IN THE HANDS OF TRANSNATIONAL COMPANIES AND ADDED THAT HE WAS NOT EVEN CONSIDERING THE FORMATION OF MIXED COMPANIES AS PROVIDED FOR IN ARTICLE 5 OF THE NATIONALIZATION LAW. IT IS ABSURD TO BELIEVE THAT VENEZUELA CAN DEVELOP ITS OWN TECHNOLOGY WITHOUT HELP FROM ABORAD, PEREZ SAID.

4. ASKED SPECIFICALLY IF HE MEANT TO GET HELP FROM THE US, PEREZ REPLIED "ONLY TO THE DEGREE THAT IT IS POSSIBLE TO DO SO ON A GOVERNMENT TO GOVERNMENT BASIS." HE SAID HIS GOVERNMENT HAS TALKED TO THE US AND TO OTHER GOVERNMENTS. HE IS CONVINCED THAT INTERNATIONAL COOPERATION IN TECHNOLOGY IS ESSENTIAL IN THE FIRST PHASE OF THE ORINOCO DEVELOPMENT AND THAT AGREEMENTS ARE POSSIBLE WHICH DO NOT INVOLVE THE RIGHT TO PARTICIPATE IN PRODUCTION. HE ADDED THAT THE JAPANESE GOVERNMENT HAD MADE A VERY ATTRACTIVE OFFER TO PUT UP BS 100 MILLION (\$25 MILLION) FOR A PILOT PROJECT IN THE ORINOCO WITH NO CONDITIONS. THIS OFFER HAS BEEN ACCEPTED IN PRINCIPLE, HE SAID, AND THE JAPANESE HAVE BEEN AUTHORIZED TO GO AHEAD WITH THEIR PRELIMINARY STUDY AT THEIR OWN EXPENSE.
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5. COMMENTING ON VENEZUELA'S ENERGY POLICY, PEREZ SAID THAT THE PRICE OF OIL MUST GO UP TO LIMIT ITS USE AND TO ENSURE THE DEVELOPMENT OF ALTERNATIVES, SINCE THE INDUSTRIAL NATIONS CANNOT FINANCE THESE ALTERNATIVES UNTIL THEY ARE MADE COMMERCIALY FEASIBLE BY HIGHER OIL PRICES. ASKED ABOUT VENEZUELA'S OWN RAPIDLY INCREASING GASOLINE CONSUMPTION, PEREZ SAID SOMETHING WOULD BE DONE IN JANUARY 1979 (I.E. AFTER THE DECEMBER ELECTIONS) BUT ADDED THAT PRICES SHOULD RISE BY STAGES. HE INSISTED THAT THE POLICY OF CONSERVATION THROUGH LIMITED PRODUCTION OF OIL MUST BE MAINTAINED.

6. MOVING TO MORE GENERAL WORLD PROBLEMS, HE SAID THE NO 1 PROBLEM IS THE NEED FOR INDUSTRIAL NATIONS TO PLACE A TRUE VALUE ON THE PRODUCTS OF THE UNDERDEVELOPED NATIONS AND ITS CAPACITY TO INCREASE WORLD TRADE. VENEZUELA, HE CONCLUDED, WOULD PLAY AN IMPORTANT PART IN FINDING THIS NEW EQUILIBRIUM.
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